

CITY OF MIAMI BEACH
Office of the City Manager
Letter to Commission No. 075-2004



To: Mayor David Dermer and
Members of the City Commission

Date: April 1, 2004

From: Jorge M. Gonzalez
City Manager

Subject: Loews Hotel Percentage Rent

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CITY CLERK'S OFFICE

On September 20, 1996, the Miami Beach Redevelopment Agency (RDA) entered into a Lease Agreement with Miami Beach Redevelopment, Inc., (MBRI), a fully owned subsidiary of Loews Hotels. The Agreement defines the terms under which the RDA receives rent revenues for the Loews Miami Beach Hotel. Loews' rent currently consists of a base rent of \$500,000 and percentage rent determined by a seven tier system. The tiers are prompted primarily by alternating thresholds of internal rates of return, funded equity returns for MBRI, and land value returns for the RDA.

Initial profit projections for the Loews, indicated that the hotel would not reach profitability within its first few years of operation and, likewise, the RDA would not receive percentage rent. However, Loews has far exceeded these expectations. On March 31, 2004, the Redevelopment Agency received a check in the amount of \$2,313,249 for lease year 2003. Prior years' percentage rents were as follow:

<u>Year</u>	<u>Incentive Rent Received</u>	
1999	\$ 252,973	
2000	\$2,054,967	
2001	\$ - 0 -	(Due to refinancing of MBRI's debt structure as permitted in the Hotel Lease Agreement)
2002	\$ 647,041	
2003	\$2,313,249	

If you have any questions, please contact me.

JMG:CMC:KOB

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c: Christina M. Cuervo, Assistant City Manager
Kent Bonde, Redevelopment Coordinator



1601 Collins Avenue
Miami Beach FL 33139
Hotel (305) 604-1601
Fax (305) 604-3999
www.loewshotels.com

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04 MAR 31 AM 10:39
FINANCE DEPARTMENT

March 30, 2004

Miami Beach Redevelopment Agency
Attn: Ms. Trish Walker
Director of Finance
City of Miami Beach
1700 Conference Circle Drive
Miami Beach, Fl. 33139

Re: Loews Miami Beach Hotel

Dear Ms. Walker,

In accordance to the Lease Agreement with the Loews Miami Beach Hotel, this letter is to advise you that the Annual Financial Statement for the 2003-Year Lease is available at the Hotel in accordance with Section 28.1©.

In addition, in accordance with Section 3.3 ©, Two Million Three Hundred Thirteen Thousand Two Hundred Forty-Nine Dollars and 00 Cents (\$2,313, 249.00) is due for the 2003 Percentage Rent.

If you have any questions, please do not hesitate to call us.

Sincerely,

Charlton Hines
Managing Director

Annapolis

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Montréal

Nashville

New Orleans

New York City

Orlando

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Québec City

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